



Internal Audit Report

**Solid Waste Management
October 2002**



Audit Team Members

George Miller, Audit Manager

Susan Adams, IT Senior Auditor

Cathleen L. Galassi, Senior Auditor

John Schulz, Senior Auditor



Maricopa County

Internal Audit Department

301 West Jefferson St
Suite 1090
Phx, AZ 85003-2143
Phone: 602-506-1585
Fax: 602-506-8957
www.maricopa.gov

October 7, 2002

Don Stapley, Chairman, Board of Supervisors
Fulton Brock, Supervisor, District I
Andrew Kunasek, Supervisor, District III
Max W. Wilson, Supervisor, District IV
Mary Rose Wilcox, Supervisor, District V

We have completed our FY 2002-03 review of the Solid Waste Management Department (SW). The audit was performed in accordance with the annual audit plan that was approved by the Board of Supervisors.

The highlights of this report include the following:

- SW collects, documents, and reports all required waste tire data required by the Arizona Department of Environmental Quality. Our testing of SW records found that tire data is accurately recorded on a regular basis.
- Our review of SW waste and tire disposal contracts, billings, supporting documentation, and monitoring activities found \$700 of overpayments and control weaknesses that expose the County to risk.
- SW has not established cash and deposit controls adequate to safeguard County funds and ensure that the funds generate immediate investment income. Controls over petty cash and change funds are also weak and do not comply with County policy requirements; a \$775 change fund is considered lost.

Attached are the report summary, detailed findings, recommendations, and SW's management response. We have reviewed this information with the Director and appreciate the excellent cooperation provided by management and staff. If you have questions, or wish to discuss items presented in this report, please contact George Miller at 506-1586.

Sincerely,

A handwritten signature in cursive script that reads "Ross L. Tate".

Ross L. Tate
County Auditor

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Executive Summary

Waste Tire Processing (Page 7)

The Solid Waste Management Department (SW) collects, documents, and reports all waste tire data required by the Arizona Department of Environmental Quality (ADEQ). Our testing of SW records found that tire data is accurately recorded on a regular basis. The department maintains a file of permits and tire dealers' Waste Tire Fee forms. SW also accurately calculates and collects waste tire fees. No material exceptions were noted.

Contracts and Billings (Page 9)

Our review of SW waste and tire disposal contracts, related billings and supporting documentation, and monitoring activities found control weaknesses that expose the County to financial risk. We also found overpayments totaling \$700. SW should review procurement code requirements and strengthen controls over invoice reviews and contract monitoring activities.

Cash and Deposit Controls (Page 11)

SW has not established cash and deposit controls to adequately safeguard County funds and ensure that the funds generate immediate investment income. The department's controls over petty cash and change funds are also weak and do not comply with County policy requirements. As a result, a \$775 change fund is considered lost. SW should strengthen controls over cash handling activities and establish procedures necessary to ensure compliance with County policy.

Transfer Station Cash Receipting (Page 14)

Our review of SW transfer station cash receipting procedures found no significant control weaknesses. We tested three days' cash receipts for each of the six transfer stations along with receipt sequencing, logs, and deposit totals. No material exceptions were identified.

MfR Performance Measures (Page 15)

Our review of four SW Key Results Measures, developed for the Managing for Results (MfR) program, identified several areas for improvement. Inaccurate and inadequately documented performance measure data can negatively impact management's ability to make informed decisions related to goals and operations. SW should strengthen procedural controls, where necessary, and develop better methods for acquiring and retaining measurement data to improve the accuracy of the department's Key Results Measures. SW should also re-evaluate and re-define its results measure for groundwater well monitoring.

Introduction

Background

The Solid Waste Management Department (SW) operates under the authority granted by Arizona Revised Statutes (ARS) Sections 44 and 49. These laws require the County to provide public facilities for the safe and sanitary disposal of solid waste and waste tires. Federal and State laws and local regulations set specific requirements for waste operators and handlers.

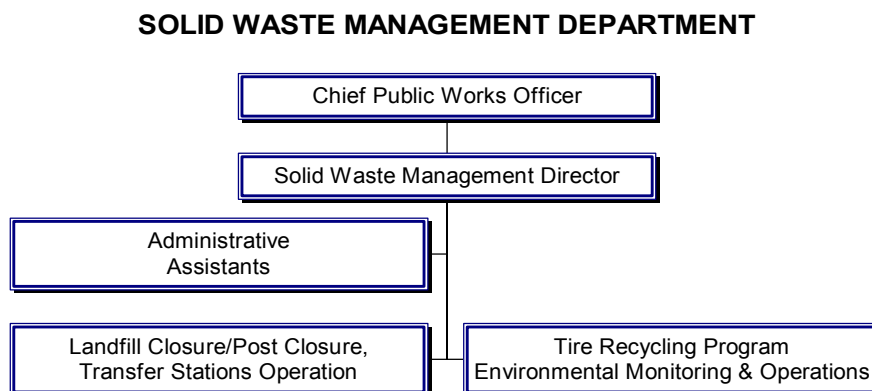
SW operates six transfer stations, monitors six closed landfills, and accepts tires for recycling at two County locations. The department cooperates with private entities to manage solid and special wastes. SW also monitors landfill environmental water and gas emissions and maintains closed landfills in accordance with Arizona Department of Environmental Quality rules and regulations.

Mission, Goals, and Performance Measures

SW's mission is to provide collection sites and tire recycling programs for both residential and business disposal of solid waste and tires in a safe manner to protect the environment and public health. The department has developed a strategic plan, with goals and objectives, as part of the County's Managing for Results Program. This plan describes SW's two programs, ten activities, four key results performance measures, and 64 total performance measures.

Organizational Structure

SW is authorized 13 budgeted positions, including the Director and a supervisor for each of the department's two primary programs; Landfill Monitoring/Transfer Stations and Waste Tire Management. The chart below depicts the department's organizational structure.



Operating Budget

SW's fiscal year (FY) 2001-02 budget projected \$4.2 million of revenues and \$4.7 million of expenditures, which covered the department's General and Solid Waste Tire operations. Approximately 70 percent of the revenue is generated from State's apportionment of waste tire fund monies. The Arizona Department of Revenue allocates this funding based on the number of motor vehicles registered in Maricopa County. The County's size and growing number of registered motor vehicles has increased the County's revenue from the waste tire fund.

Almost 75 percent of SW's FY 2001-02 expenditure budget was dedicated to contract services for removing waste tires and disposing solid waste materials. The department's FY 2002-03 proposed budget reduces expenditures by approximately \$600,000 but does not reflect material revenue increases, even though FY 2001-02 actual revenues doubled the budgeted amount.

SW's FY 2001-02 budget stated that the department would identify and open two new landfills and develop an illegal dumping clean-up program. Due to current County's financial constraints, no new landfills or transfer stations are budgeted for FY 2002-03.

Program Operations

Transfer Stations: SW operates six transfer stations, open two days a week, that accept solid waste up to 150 pounds from residents or businesses. Customers are charged fees, based on the amount of waste disposed, and provided with a numbered cash receipt.

Transfer station attendants prepare deposits for fees received and make deposits at a local bank. SW regularly hauls dumped materials to designated landfills that bill the County based on tonnage.

Landfills: SW monitors six closed County landfills; Cave Creek, Agulia, Hassayampa, New River, Morristown, and Rainbow Valley. The County owns the Queen Creek landfill, which is currently open and operated by the city. The County will be responsible for closing this landfill, which must be certified and reported to the Arizona Department of Environmental Quality. The County is required to test landfill groundwater and gas emissions 30 years after closure.

Waste Tire Processing: The State pays counties for waste tire disposal. The County submits a required waste tire management plan to the Arizona Department of Environmental Quality annually. SW prepares and submits quarterly/annual reports of the numbers of tires collected and disposed. The department has contracted for continuous waste tire removal, recycling, and final disposition.

Scope and Methodology

The objectives of this audit were to determine if:

- SW procures and administers service contracts in accordance with the requirements established by the Maricopa County Procurement Code and the contracts.
- The department collects waste tire and disposal fees, documents the transactions, and prepares/submits reports to the State in compliance with established requirements.
- Waste tire dealers have obtained tire disposal permits from SW and new tire dealers have an Arizona Department of Revenue Waste Tire Fee TR1 form on file.
- SW has properly calculated and reported its performance measures for key results.
- The department adequately documents and reports petty cash, cash handling activities, and transfer station deposits.

This audit was performed in accordance with Government Auditing Standards.

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Department Reported Accomplishments

Solid Waste Management has provided the Internal Audit Department with the following information for inclusion in this report.

Waste Tire Program

- The Department utilizes a self-devised, complex Excel based data management tool which tracks thousand of tire manifests, maintains tire inventories, and performs qualitative and quantitative analysis of recycling volumes. This management tool, besides providing an informational synopsis, also provides the basis for quarterly and yearly reports for the Arizona Department of Environmental Quality with minimal efforts and cost.
- Previously, all waste tire generators were required to obtain a permit by visiting our office. Last year the Department initiated a web based permit process. Now the permit can be issued by applying on-line or through facsimile. In addition, the Department has implemented procedures for residents to obtain permits at the tire disposal site.
- By following fiscal prudence and applying various business strategies, the Department has created a positive fund balance, which was inconceivable four years ago.

Landfill Closure and Post-Closure Operation

- By utilizing the existing staff for closure and post closure activities and self-motivated fiscal prudence strategy, the Department has previously generated substantial savings and intends to continue with the same practices. The Department has built a large positive fund balance. Out of \$14.8 million targeted for closure and post-closure expenditures, only \$4.4 million has been expended to date and only one-landfill remains to be closed.
- In order to maintain fiscal prudence, the staff performs most tasks without help of consultants or contractors. All activities such as permitting, environmental monitoring, drainage modifications, cap maintenance, and miscellaneous activities related to closure and post-closure for the six closed landfills are performed in-house.

General Operation

- Because of on going budget constraints and self-imposed fiscal restraining, the Department's small staff has been cross-trained in all programs, construction discipline and other activities. Because of this cross training, we have been successful in serving our customers without a single incidence of interruption.
- The Department's expenditure budget has been under spent consistently over the last four years.
- The Department has consistently achieved 100% discount as offered by vendors.

Issue 1 Waste Tire Processing

Summary

The Solid Waste Management Department (SW) collects, documents, and reports all waste tire data required by the Arizona Department of Environmental Quality (ADEQ). Our testing of SW records found that tire data is accurately recorded on a regular basis. The department maintains a file of permits and tire dealers' Waste Tire Fee forms. SW also accurately calculates and collects waste tire fees. No material exceptions were noted.

ARS Requirements

Arizona established a Waste Tire Program to provide a public service to assist with environment air and waste problems. The program is not intended to generate a profit, which could deter residents and businesses from proper disposing tires.

ARS 44-1305 establishes a waste tire fund that is administered by the Arizona Department of Revenue. The department collects monies from new tire sales and allocates a pro-rata share of the fund to counties. Each county's share is based on the number of vehicles registered, in the county, on July 1 of the previous year. The statute requires counties to establish and submit an annual Waste Tire Management Program to ADEQ by September 1. The plan may include contracts with private enterprises to accomplish plan goals addressing the disposition of used tires.

ARS 44-1304 specifies dimensions and safety requirements for how collected tires shall be stored outdoors. ARS 44-1306 mandates counties to report waste tire collection site information, for the prior fiscal year, to ADEQ by September 30. The following detail is required:

- The number of waste tires collected each month, by site, with a list of registered dealers and the number of tires delivered by each.
- The number of tires transported out of each collection site.
- The estimated number of tires remaining at each collection site at the end of the preceding fiscal year.
- Summaries of all manifests tracking incoming and outgoing waste tires at each site.
- Amount of money received/expended for the waste tire program.

SW must also report all tires collected, disposed, and remaining, along with costs of program, on a quarterly and annual basis to ADEQ.

Review Results

Maricopa County has developed a Waste Tire Program that charges customers very reasonable fees. New and used car dealers and tire dealers provide most of the waste tires and pay nothing to dispose on-road tires. The general public and non-tire dealers can dispose up to 50 tires per year at no cost. Few individuals and non-dealers dispose more than 50 passenger, semi-truck, or off-road tires per year. Therefore, the County's tire disposal fee income is insignificant.

We examined SW's May 2002 manifests and found that applicable fees were correctly calculated and collected. We reviewed 402 original Waste Tire Disposal Manifests that accounted for 129,000 individual passenger, semi-truck, and off-the road tires. The manifests included generator and tire hauler names, addresses, and other required information. SW tire site personnel adequately completed the forms and provided weight slip receipts to the haulers. No material exceptions were identified.

We also verified that required waste tire permits and Arizona Department of Revenue Waste Tire Fee TR-1 forms were on file. Again, no material exceptions were found.

The SW Director has developed a complex spreadsheet to help collect large volume data. We tested spreadsheet for data accuracy. All tires on the 402 manifests tested were input correctly by date, tire dealer, and type and number of tires without material exception. While the spreadsheet contained few formula errors, these did not materially affect the reported tire totals. We compared the annual totals to the report filed with ADEQ and found no material exceptions.

Recommendation

None, for information only.



Issue 2 Contracts and Billings

Summary

Our review of SW waste and tire disposal contracts, related billings and supporting documentation, and monitoring activities found control weaknesses that expose the County to financial risk. We also found overpayments totaling \$700. SW should review procurement code requirements and strengthen controls over invoice reviews and contract monitoring activities.

ARS Requirements and AICPA Controls

ARS 11-952 and the Article 3 of Maricopa County Procurement Code establish detailed requirements for procuring service contracts. A department director can determine that a sole source contract shall be used if service is available from only one vendor and the justification is documented in writing. The justification must be submitted to the Board of Supervisors (Board). Upon prior approval of the Board, the Procurement Officer shall negotiate with the single supplier.

The American Institute of Certified Public Accountants (AICPA) Government Accounting and Financial Reporting Manual cites proper invoice processing and key accounts payable controls, including:

- Establish contract issuance, purchase order, and proper approval procedures.
- Monitor and evaluate contractor/vendor performance and compliance with contract requirements.
- Obtain copies of purchase orders and receiving reports from issuing departments and utilize original vendor invoices as basis for payments.
- Review invoices for completeness of supporting documents; compare quantities, prices, and terms shown on the purchase order with those on the receiving reports; verify invoice calculations.

Contract Procurement

SW manages several Board approved contracts that contain pricing, performance, and compliance provisions. We reviewed three contracts to verify SW's compliance with applicable Procurement Code and contract requirements. We found:

- The Materials Management Department or Board had approved two of the contracts (Waste Tire Recycling and Landfill Disposal Services), as required.
- SW's contract with the City of Phoenix, to dispose waste at a city landfill, appears to be a sole source agreement. However, neither SW nor the Materials Management Department could provide a copy.

- The City of Phoenix provided a copy of the above agreement and verified current billing rates. However, the agreement was not signed by the Board Chairman or Materials Management Director.

Invoice Review

We selected 12 paid invoices (\$663,439 total) to verify if the amounts billed and paid comply with authorized contract rates. We found that the invoices were supported by appropriate documentation and were properly reviewed and approved. We also found that SW does not always review contractor billings with contract rates. One vendor submitted two solid waste disposal invoices (\$4,636 total) that were billed at \$23 per ton and contained a nine-cent per ton fuel surcharge, beginning in April 2002. We could not match the billing rate to a contract list price or find authorization for the fuel surcharge. The estimated total overpayment for January, March, and April 2002 is \$700.

Exposure

The County is exposed to legal and financial risks when contracts are not administered in accordance with Procurement Code requirements, authorized and approved by the Board, and billed invoices are not verified against contract rates.

Recommendation

SW should:

- A. Ensure that the department complies with all Procurement Code requirements related to sole source contracts.
- B. Work with the Materials Management Department to bring the sole source agreement with the City of Phoenix into legal compliance.
- C. Recover the \$700 overpayment identified and review the contractor's past invoices to identify other potential recoveries.
- D. Strengthen contract payment review and monitoring controls.

Issue 3 Cash and Deposit Controls

Summary

SW has not established cash and deposit controls to adequately safeguard County funds and ensure that the funds generate immediate investment income. The department's controls over petty cash and change funds are also weak and do not comply with County policy requirements. As a result, a \$775 change fund is considered lost. SW should strengthen controls over cash handling activities and establish procedures necessary to ensure compliance with County policy.

County Policy Requirements and AICPA Controls

Maricopa County Administrative Policy A2500 sets guidelines for establishing and utilizing petty cash and change funds. The policy contains the following requirements:

- The custodian responsible for a petty cash or change fund must account for the dollar amount with either cash or original receipts.
- Access to petty cash should be restricted to the custodian and, if possible, the fund should be secured in a safe or vault at the close of each business day.
- A change fund is specifically utilized to make change.
- Departments must notify the Department of Finance (DOF) of a custodian change, using a specific form. Before funds are transferred to a new custodian, an audit of all monies and receipts must be performed.

The AICPA recommends safeguards and procedural controls over cash and cash receipts. These include:

- The duties of cash collection, receipts, deposit preparation, and recording should be adequately segregated.
- Controls should be established over the collection and recording of collections; procedures should be specific to ensure collections and disbursements are recorded accurately and promptly.
- A mechanism should be established to account for and balance all cash receipts to collections daily.

Cash and Deposit Reviews

We reviewed cash controls and documentation for SW's petty cash fund, change funds, and deposit processing activities and identified significant control weaknesses. These are discussed below.

Petty cash/change funds: DOF records show that SW is authorized a \$500 petty cash fund and a \$775 change fund. DOF records also reflect that the change fund was not accounted for in FY 1999-2000 or FY 2000-2001. DOF contacted the SW Director in FY 1999-2000, who explained that the fund was no longer held because landfills had been closed. Follow-up was not done to

determine how or when funds were returned and the undocumented change fund is now considered missing.

SW does not adequately adhere to the County's petty cash/change fund policy requirements. The designated custodian and four change fund custodians do not have current authorizations on file. Documentation could be located to support one change fund custodian's statement that the person had returned the fund. SW supervisors have not signed cash/change fund forms. Materials Management vendor/petty cash custodian records identify two SW petty cash custodians no longer employed by the County. Other significant control weaknesses are:

- The petty cash custodian does not have access to the petty cash fund, which is locked in an office safe that the custodian can not open. Only two supervisors, unavailable during the day, have access to the safe and petty cash.
- Petty cash and change funds are commingled. The petty cash custodian stated that the \$775 change fund did not exist as of the person's assignment to petty cash. The current change fund (undocumented at \$400) is part of \$500 petty cash total.
- Transfer station employees, contacted by phone, stated that no one had counted their change funds.

We physically counted petty cash on July 23, 2002 and found a balance of \$103. We also contacted six of eight change fund holders, working at SW transfer stations, who validated a total of \$300 in change funds. Two other employees did not return calls, but management stated each employee has a \$50 change fund.

Three transfer station employees work at two different locations. These employees transport their change fund between locations. An alternate keeps a \$50 change fund in a personal savings account when the funds are not in use. This practice was addressed during the audit and the employee now keeps the fund on their person.

Deposit Processing: We made the following observations:

- A deposit for \$6,608, dated July 2, 2002, was observed in a SW assistant's purse on July 9, 2002. The employee had been unable to go to the bank and had been carrying the deposit.
- An envelope containing \$165 cash was delivered to the SW office, by a field supervisor, for a transfer station employee. The envelope did not show an amount or have a signature of the originating source. The cash was not listed on a log.
- Bank deposit and reconciliation job duties are not adequately segregated. The assistant who prepares and makes the deposits also does the reconciliation.

We reviewed 48 deposits made in April 2002 for the transfer stations and deposits made by SW administration for waste tire fees. Fifty percent of the transfer station deposits (\$86 average) were made five or more days after receipt. The SW Director states that because deposits are small, requiring employees to work overtime in order to deposit funds more frequently would not be cost beneficial.

Cash Receipt Transmittals (CRT): 18 (38%) of 48 CRTs sent to the Treasurer, to post revenues and clear the Treasurer's account, were processed by SW more than 15 days after the deposits were made. The CRTs appear to be processed twice monthly. Additionally, the clearing account carries a balance of approximately \$3,000, which indicates that SW may have not cleared all prior deposit amounts.

Potential Loss

SW and DOF are currently unable to account for the \$775 change fund and, therefore, this money may be lost. SW is at risk for additional losses due to weak cash and deposit controls, inadequate supporting documentation, and a lack of written alternate cash handling procedures.

Recommendation

SW should:

- A. Develop written procedures to ensure the department's compliance with the County's petty cash and change fund policy; ensure certification of cash is properly completed, as required.
- B. Provide the Materials Management Department and DOF authorizations for current cash custodians and notification to deactivate terminated employees' authorizations.
- C. Account for the missing \$775 change fund and document research.
- D. Review the timing of SW bank deposits and determine if attendants can meet a five-day deposit turnaround.
- E. Ensure Cash Receipt Transmittals are prepared on a regular basis and ensure all aged items have been researched and cleared from the Treasurer's fund clearing account.
- F. Develop alternative written procedures to document any exceptions for cash and deposit handling, where cash and deposits cannot be secured in a County location or be immediately processed; require employees to sign for alternate cash handling procedures and indicate where cash is maintained, if not at a work location.

Issue 4 Transfer Station Cash Receipting

Summary

Our review of SW transfer station cash receipting procedures found no significant control weaknesses. We tested three days' cash receipts for each of the six transfer stations along with receipt sequencing, logs, and deposit totals. No material exceptions were identified.

Recommended Controls

The AICPA requirements identified in Issue 2 also apply to this issue.

Review Results

We examined three consecutive workdays' cash receipts for each of the six SW transfer stations. We verified the beginning and ending sequencing, of each the transfer station receipts, and found no material exceptions. We also reviewed the SW administration office's logs for transfer station sequencing and did not identify any significant exceptions or control weaknesses.

SW transfer station attendants appear to issue numbered cash receipts to all customers who dump waste. Attendants confirmed that they issue cash receipts (in numerical sequence) to customers, who are charged fees based on an approved schedule. Attendants date the receipts, fill in amount collected, and initial the tickets. They then send the original copies of tickets, along with transfer station cash logs prepared by attendants, to SW's administrative office.

SW administrative staff verify cash receipts sequencing by preparing independent monthly transfer station logs and listing dates, receipt numbers and amounts received. The procedural control ensures that no tickets are missing. The administrative logs are verified to the cash log, which ensures that totals match the bank deposit slip. Administrative staff then prepares tape listings of receipt amounts and attaches the listings to the bank deposit slip.

Recommendation

None, for information only.

Issue 5 MfR Performance Measures

Summary

Our review of four SW Key Results Measures, developed for the Managing for Results (MfR) program, identified several areas for improvement. Inaccurate and inadequately documented performance measure data can negatively impact management's ability to make informed decisions related to goals and operations. SW should strengthen procedural controls, where necessary, and develop better methods for acquiring and retaining measurement data to improve the accuracy of the department's Key Results Measures. SW should also re-evaluate and re-define its results measure for groundwater well monitoring.

County Policy Requirements

Maricopa County Board of Supervisors Policy B6001 (4.D Evaluating Results) requires the Internal Audit Department to review County departments' strategic plans and performance measures. The policy also requires that a report of the results be issued.

As part of this audit we performed certification reviews of four SW Key Measures. The following information defines the results categories that are used in the certification process.

Definitions

Certified: The reported performance measurement is accurate (+/-5%) and adequate procedures are in place for collecting/reporting performance data.

Certified with Qualifications: The reported performance measurement is accurate (+/-5%) and adequate procedures are not in place for collecting and reporting performance data.

Factors Prevented Certification: Actual performance measurement data could not be verified due to inadequate procedures or insufficient documentation. This rating is used when there is a deviation from the department's definition, preventing the auditor from accurately determining the performance measure result.

Inaccurate: Actual performance is not within five percent of reported performance and/or the error rate of tested documents is greater than five percent.

Not Applicable: Performance measurement data is not yet available.

Review Results

Key Measure #1: Percent of tonnage properly disposed. Solid Waste (SW) measures the percentage of recycling accomplished by an external party.

Results: Inaccurate

We tested the summary measurement data to determine the accuracy of the measures. The following table shows the figures reported by the department and the accurate figures as determined by our review of support documentation.

Measure #1	Qtr 1	Qtr 2	Qtr 3	Qtr 4
Reported #s	25%	0%	46%	N/A
Actual #s	63%	23%	86%	N/A

The reported data was inaccurate for all three quarters due to a calculation formula error that has now been corrected. Future reported results should be accurate. SW has contacted OMB to make corrections to the EBC database. The department has not established adequate procedures for collecting and reporting performance data.

Key Measure #2: Percent of customers satisfied. This measure reflects customer satisfaction with services provided at the transfer stations.

Results: Not Applicable.

This is an annual measure compiled at year-end and the data collection process is being developed. A survey instrument has been developed and is currently being administered. SW has not developed written procedures for collection and reporting data.

Key Measure #3: Percent of illegal dumping cleanups completed. This measure reflects the responsiveness of SW to illegal dumping cleanup requests.

Results: Factors prevented certification.

Measure #3	Qtr 1	Qtr 2	Qtr 3	Qtr 4
Reported #s	25%	0%	50%	N/A
Actual #s	Unknown	Unknown	Unknown	N/A

SW does not record the number of requests for cleanup, therefore, the actual results can not be determined. Reported statistics could not be verified because documentation of requested cleanups is not maintained. The SW Director stated that cleanups were either performed or not based upon the department's resource availability. SW's reported statistics were the result of the Director's recollection of each quarter's activity. SW should develop written procedures for documenting and maintaining cleanup requests and collecting and reporting measurement data.

Key Measure #4: Percent of groundwater wells monitored. This purpose of this measure is to reflect SW's compliance with ADEQ and EPA requirements of testing wells at least every six months.

Results: Inaccurate

Measure #4	Qtr 1	Qtr 2	Qtr 3	Qtr 4
Reported #s	100%	125%	125%	N/A
Actual #s	34%	50%	77%	95%

This measure's validity is questionable. SW is mandated by ADEQ and the EPA to test wells every six months. In addition, ADEQ has mandated that the Cave Creek wells be monitored every month. These mandates currently make possible 56 total testing events (2 each for 10 wells and 12 each for 3 wells). Our calculation reflects the percentage of events accomplished cumulatively over four quarters. We recommend that this measure be re-evaluated and re-defined. Given the way that SW's calculates work performance, the current measure of "percent of groundwater wells monitored" will always exceed 100 percent. SW should emphasize its accomplishment of mandated monitoring events. The total events mandated can be adjusted from year to year to accommodate changing ADEQ and EPA requirements.

Inaccurate and inadequately documented performance measure data can negatively impact management's ability to make informed decisions related to accomplishing SW's goals and improving operations.

Recommendation

SW should:

- A.** Correct the calculation of the inaccurate measure. NOTE: SW corrected the error before this report was issued and is making attempts through the Office of Management and Budget to correct the EBC database.
- B.** Develop written procedures for collecting and reporting key performance measurement data for Key Measures 1, 2, and 3.
- C.** Record and maintain the number of requested illegal dumping cleanups for Key Measure 3.
- D.** Re-define and correct the data for Key Measure 4.

Department Response

ASH MADHOK, P.E., DEE
Director



Solid Waste
Management Department

September 25, 2002

TO: Ross Tate, County Auditor

FROM: Ash Madhok *AM*

Copy: David Smith, CAO
Bob Williams, CPWO

SUBJECT: Response to Internal Audit

Attached is our response to Internal Audit Report issued in August 2002. We believe we have addressed all the issues as discussed during our final audit closure meeting.

If you have any other question, please call me.

Auditor GM W/P Ref. 70
Date 10/4/02 Page 1 of 3



**AUDIT RESPONSE
SOLID WASTE MANAGEMENT DEPARTMENT
SEPTEMBER 25,2002**

Issue # 1

Waste Tire Processing

Response: None Required

Issue # 2

Contracts Billing

Response: Concur

- A. **Concur – Completed** A sole source along with requisition was submitted to the Materials Management, that is how the Purchase Order was issued by the Materials Management Department. In the absence of paperwork, we are unable to provide the documentation. We have in the past and will keep copies of the submittals in future.
- B. **Concur – Completed** About a month ago, a new sole source form was approved by the Director of Materials Management Department and we are in compliance.
- C. **Concur – Completed** We check each invoice to ensure that contract rates are applied, however, we made an error with one vendor whose payment was in noncompliance to the terms of the contract. The vendor was requested to refund the overpayment on August 15, 2002 and on September 30, 2002; we have received a credit notification along with partial adjustment. The remaining overpayment will be adjusted in the next billing cycle.
- D. **Concur – Completed** Procedures have been put in place, whereby each invoice will be checked for contracted rate, the administrative assistants have been advised to put their initials on each item to ensure that billing rate and contract rates are the same. We have also prepared a spreadsheet of the vendor names and their contracted rates to ensure that no error is made in future.

Issue # 3

Cash & Deposit Controls

Response: Concur

- A. **Concur – Completed** We will be using County's petty cash and change fund policies.
- B. **Concur – completed** The new custodian paperwork was completed about a month ago and we are in compliance.
- C. **Concur – in process** Finance Department was asked to research about the \$775 change fund about a month ago. To date no response has been received. We do not know where and how this number came about. This fund was established during previous Director's tenure we couldn't find any paperwork from previous management regarding origination and disposition of the change fund. We believe that if Finance Department's records are accurate, upon closure of these landfills the change fund was collected from the landfill attendants and deposited along with Landfill receipts. If this issue is not resolved by December 15, 2002, we will process necessary documents to consider this fund as a loss.
- D. **Concur –Implementation with modifications** We will try to expedite this paperwork from the transfer stations. The five-day turn around is not cost effective. The amount of overtime that will be paid to employees is cost prohibitive to deposit less than \$100 every

week, though we have instructed our staff to comply with this requirement, we still request an exemption on this issue in case we cannot make deposit every week. If in future the collection exceeds \$500, we will make deposits every week.

- E. **Concur –Implementation not currently possible** Because of the remote location of the transfer stations, sometime it takes two weeks to receive the paperwork. This creates somewhat of a backlog and that is why the clearing account is sluggish. We do not have the resources to make special trips to these sites and the deposits are so minimal that benefit to cost ratio is ineffective. We will try to expedite the clearing process.

- F. **Concur –Completed**

Issue # 4

Transfer Station Cash Receipting

Response: None Required


Issue # 5

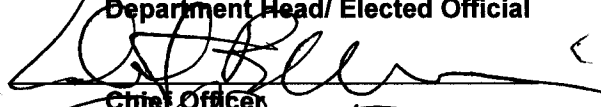
MfR Performance Measures

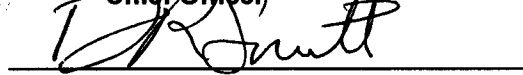
Response: Concur

- A. **Concur – Completed**
- B. **Concur – Completed** Have written procedures
- C. **Concur – Completed** Have written procedures and a spreadsheet to comply with this requirement
- D. **Concur – in process** Though we have conveyed our reasoning on result calculation the way we see it, but we will comply as required. The intent was to use previous years testing frequency as a baseline and adjust our results of each year to the actual work performed. We will request OMB to change the results by October 30,2002 as your audit has recommended, however we are unable to provide a completion date, as it depends on OMB's discretion.

Approved by:


Department Head/ Elected Official


Chief Officer


County Administrative Officer

9/30/2002
Date

9/30/02
Date

10/1/02
Date